

SAI SILKS (KALAMANDIR) LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1. PREFACE

Sai Silks (Kalamandir) Limited (the Company) recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's and its stockholders' best interests.

Hence, keeping in view the frequency of transactions entered by the Company with the related parties, the Board has thought to adopt a policy on related party transactions to ensure high level of transparency in all its business dealings, thereby promoting good corporate governance.

The Company has been entering into the transactions with its subsidiaries and group companies in the ordinary course of business and on arm's length basis. These transactions were reported to the Audit Committee on quarterly basis.

The Company also have a Code of Conduct for all employees, officers and directors of the Company, which emphasizes that all possible conflicts of interest should be avoided.

Therefore, it is found appropriate to adopt a policy regarding the review and approval of Related Party Transactions in order to set forth the procedures under which certain transactions must be reviewed, approved or ratified.

2. PURPOSE

- 2.1 The policy is intended to provide guidance to the Executive Officers and Directors of the Company to help them recognize and deal with actual or apparent conflicts of interests.

This policy is framed in accordance with the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligation and Disclosure Requirement) 2015 to ensure the proper approval and reporting of transactions between the Company and its related party.

3. DEFINITIONS

- 3.1 **“Arm's length transaction”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

- 3.2 **“Related party”**

A 'related party' is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

a. Related party under Section 2(76) of the Companies Act, 2013;

Section 2(76) defines related party as:

- (i) a director or his relative,
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director or manager is a director or and holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
any person on whose advice, directions or instructions a director or manager is accustomed to act:
- (vii) Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any body corporate which is—
 - (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
 - (C) an investing company or the venture of a company;

b. Related party under the applicable accounting Standards.

Provided that any person or entity belonging to promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall be deemed to be a related party.

3.3 **“Related party transaction”** means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract. Further **“Related party transaction”** shall also mean contract or arrangement with a related party with respect to the following and includes transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged:

- (a) sale, purchase or supply of any goods or materials
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party's appointment to any office or place of profit in the company,

its subsidiary company or associate company; and
(g) underwriting the subscription of any securities or derivatives thereof, of the Company.

3.4 **“Material related party transaction”** means a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company, as per amended and Regulation 23 of SEBI (Listing Obligation and Disclosure Requirement) 2015.

3.5 **“Key Managerial Personnel”** Section 2 (51) defines Key Managerial Personnel as—

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the Company Secretary;
- (iii) the Whole-time Director;
- (iv) the Chief Financial Officer; and
- (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) such other officer as may be prescribed;

3.6 **“Relative”**, Section 2 (77) defines relative as—

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other in such manner as may be prescribed

3.7 **“Turnover”** means the aggregate value of the realisation of amount made from the sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year;

3.8 **“Net worth”** means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation

***Explanation:** The Turnover or Net Worth referred above shall be computed on the basis of the Audited Financial Statement of the preceding Financial year.*

4. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

4.1 Audit Committee approval:

All Related Party Transactions shall require prior approval of the Audit Committee.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Omnibus approval by the Audit Committee:

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a. the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b. the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- c. the omnibus approval shall specify:
 - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
 - (ii) the indicative base price / current contracted price and the formula for variation in the price if any; and
 - (iii) such other conditions as the audit committee may deem fit:Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
- d. the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:

4.2 Board's approval:

Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to—

- a. sale, purchase or supply of any goods or materials;
- b. selling or otherwise disposing of, or buying property of any kind;
- c. leasing of property of any kind;
- d. availing or rendering of any services;
- e. appointment of any agent for purchase or sale of goods, materials, services or property;
- f. such related party's appointment to any office or place of profit in the

- company, its subsidiary company or associate company; and
- g. underwriting the subscription of any securities or derivatives thereof, of the company

Exception: However, any of the aforesaid transactions shall not required prior approval of the Board of Directors provided the transaction is in the ordinary course of business and on an arm's length basis.

Disclosures required for obtaining Board approval

The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-

- (a) the name of the related party and nature of relationship;
- (b) the nature, duration of the contract and particulars of the contract or arrangement;
- (c) the material terms of the contract or arrangement including the value, if any;
- (d) any advance paid or received for the contract or arrangement, if any;
- (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- (g) any other information relevant or important for the Board to take a decision on the proposed transaction.

4.3. Shareholders' approval:

All material related party transactions and subsequent material modifications as defined by the audit committee shall require [prior] approval of the shareholders through resolution and [no related party shall vote to approve] such resolutions whether the entity is a related party to the particular transaction or not:

Disclosures required for obtaining shareholder's approval:

The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars, namely: —

- (a) name of the related party;
- (b) name of the director or key managerial personnel who is related, if any;
- (c) nature of relationship;
- (d) nature, material terms, monetary value and particulars of the contract or arrangement;
- (e) any other information relevant or important for the members to take a decision on the proposed resolution.

5. RESTRICTIONS ON VOTING:

The members of the Company shall not vote on special resolution for approving contract or arrangement, if such member is a related party to it.

6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

- 6.1 In the event the Company becomes aware of a Related Party Transaction that has not been approved by the Committee, the matter shall be reviewed subsequently by the Committee. The Committee shall consider all the relevant facts and circumstances

regarding the Related Party Transaction and shall examine the facts and circumstances pertaining to the failure of reporting of such Related Party Transaction to the Committee and shall take any such action it deems appropriate.

7. RATIFICATION OF THE UN-APPROVED TRANSACTIONS

- 7.1 If any contract or arrangement is entered into by the Director or any other employee with any related party without obtaining the consent of the Board or shareholders as the case may be. The transaction shall be ratified by the Board/Shareholders at meeting within three (3) months from the date of entering into contract or arrangement.
- 7.2 If the transaction is not ratified within the said time period, then it shall be voidable at the option of the Board. If the contract or arrangement is with related party to any director or is authorised by any other director, the Directors concerned shall indemnify the Company against any loss incurred by it.
- 7.3 In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.

8. DISCLOSURE REQUIREMENTS:

- 8.1 All the prospective contracts/arrangements with related parties shall be disclosed to the Company Secretary/CFO in advance.
- 8.2 All the related party transactions requiring the Board / shareholders approval shall be disclosed in the Board report along with justification for entering into such transactions.
- 8.3 Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- 8.4 The Policy shall also be disclosed on the website and also in the Annual Report of the Company.

9. AMENDMENT

The Board may as it deems fit amend the policy from time to time. In any case, if there is a contradiction between the policy and the law in force, then the Law shall supersede the policy.